

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE APPLICATION OF THE)
FUEL ADJUSTMENT CLAUSE OF LOUISVILLE) CASE NO. 94-462
GAS AND ELECTRIC COMPANY FROM)
NOVEMBER 1, 1992 TO OCTOBER 31, 1994)

O R D E R

Pursuant to Commission Regulation 807 KAR 5:056, the Commission on December 14, 1994 established this case to review and evaluate the operation of the Fuel Adjustment Clause ("FAC") of Louisville Gas and Electric Company ("LG&E") for the 2 years ended October 31, 1994, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its FAC charge.

As part of its review, the Commission ordered LG&E to submit certain information concerning its fuel procurement, its fuel usage, and the operation of its FAC. LG&E submitted this information on January 20, 1995. A public hearing was held in this case on March 2, 1995 at which Greg Cantrell, Larry Feltner, Bill Gilbert, and Greg Winter, LG&E officials, testified.

LG&E proposed to leave its base fuel cost of 12.57 mills per KWH unchanged. In Case No. 92-494¹ the Commission selected

¹ Case No. 92-494, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Louisville Gas and Electric Company from November 1, 1990 to October 31, 1992, Order dated April 5, 1993.

February 1991 as the base period (test month) for the purpose of arriving at the base fuel cost [P(b)] and the KWH sales [B(b)] components of the PAC.

In establishing the appropriate level of base fuel cost to be included in LG&E's rates, the Commission must determine whether the proposed base period cost per KWH is representative of the level of fuel cost currently being experienced by LG&E. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of February 1991 is a reasonably representative generation month for LG&E. Our analysis of LG&E's monthly fuel cost incurred for the 2-year period in question ranges from a low of 11.23 mills per KWH in September 1994 to a high of 13.04 mills per KWH in December 1992, with an average cost for the period of 12.12 mills per KWH. Although LG&E's average fuel cost for this period is .45 mills below its fuel base, evidence has been submitted showing that fuel costs will increase to near base levels in 1996. Based upon this review, the Commission finds that it is not necessary to adjust the base fuel rate at this time, that LG&E has complied with Commission Regulation 807 KAR 5:056 and that the proposed base period fuel cost of 12.57 mills per KWH should be approved.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. LG&E has complied with the provisions of 807 KAR 5:056.
2. The test month of February 1991 should be used as LG&E's base period for this review.

3. LG&E's proposed base period fuel cost of 12.57 mills per KWH should be approved.

4. The base fuel cost of 12.57 mills per KWH is the same base fuel cost currently in LG&E's base rates.

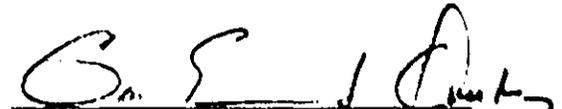
IT IS THEREFORE ORDERED that:

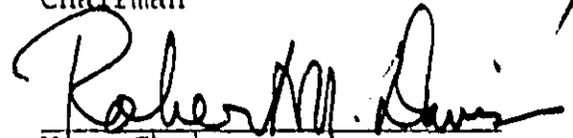
1. The charges and credits applied by LG&E through the FAC for the period of November 1, 1992 through October 31, 1994 be and they hereby are approved.

2. LG&E's proposed base fuel cost of 12.57 mills per KWH be and it hereby is approved.

Done at Frankfort, Kentucky, this 5th day of April, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director